



# PAYING BACK YOUR FEDERAL STUDENT LOANS

- CALIFORNIA STATE CONTROLLER'S OFFICE -

## 3 Steps to Pay Back Your Loans

1. Identify loan servicers and loan amount.
  - Go to [www.studentaid.ed.gov](http://www.studentaid.ed.gov).
  - View loan servicers and amount of loans.
2. Choose the payment plan and budget that is best for you.
  - Find a specific contact person with the loan servicer to help you choose a payment plan.
  - Consider consolidation if you have multiple loans and loan servicers.
    - » Most students consolidate loans after graduation.
    - » To find out if you qualify for consolidation, contact your loan servicer provider.
  - Be aware of the different payment plans available. Two common payment plans include:
    - » Graduated Payment Plan: Low monthly payments that increase gradually after a few years.
    - » Income-Based Repayment (IBR): Sets payment below 15% of your income.
3. Pay back loans every month.

### ! Consequences of Missed Payments

**Default:** Failure to repay a loan, which may result in:<sup>1</sup>

1. Losing eligibility for deferment, forbearance, and repayment
2. Losing eligibility for more federal aid
3. Lower credit rating
4. Increase of student loan debt

### ! Consequences of Missed Payments

**Bankruptcy:** Legally declares you as unable to pay your loans.

Generally, you must still pay back the debt in two ways:

1. Lenders can create a repayment plan for you.
2. Lenders can liquidate your assets.

### ! Consequences of Missed Payments

#### Increased Interest

Why do interest rates increase?

- If you don't pay back on time, your lender will view you as a higher risk borrower and charge you more.

### ? Assistance With Your Student Debt

#### Forgiveness & Cancellation

Some lenders may forgive and cancel up to 100% of your loans. Here are three important types:

1. Teacher Loan Forgiveness
2. Perkins Loan Cancellation
3. Public Service Loan Forgiveness (PSLF)
  - After 120 on-time payments of Direct Loans, PSLF can forgive your student debt if you are employed full-time by a public service organization, including: Peace Corps, AmeriCorps, Non-profit organizations

For more information on PSLF, visit <https://studentaid.ed.gov/sites/default/files/public-service-loan-forgiveness.pdf>

### ? Assistance With Your Student Debt

#### Deferment & Forbearance

- Temporarily postpones or reduces payments, depending on the plan
- This can help you avoid default

|                | Deferment                                    | Forbearance   |
|----------------|--|---|
| Qualifications | Visit <a href="#">link</a> <sup>3</sup>      | Show proof of illness or financial difficulty   |
| Advantage      | Government may pay interest during deferment | Easier to obtain  |
| Disadvantage   | More difficult to obtain                     | <ul style="list-style-type: none"><li>• Government never pays interest</li><li>• Interest accumulates over time</li></ul> |

### ? Assistance With Your Student Debt

#### Discharge

Dischargeable Debt: Your liability for a debt ends, and creditors cannot collect from you.

- Non-Dischargeable Debt: Debt that you cannot eliminate through bankruptcy. That is, you must pay off the debt even after filing bankruptcy.
- Most loans are discharged based on extreme circumstances, such as:
  - Closed school
  - Total and permanent disability
  - Death
  - Bankruptcy



#### SOURCES

1 <https://studentaid.ed.gov/repay-loans/default>

2 <http://www.uscourts.gov>

3 <https://studentaid.ed.gov/repay-loans/deferment-forbearance#deferment-eligibility>